

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Baldwin Public Library</u>	County Oakland
Audit Date June 30, 2005	Opinion Date September 30, 2005	Date Accountant Report Submitted To State: December 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Baldwin Public Library
(a component unit of the
City of Birmingham, Michigan)

Financial Report
June 30, 2005

Baldwin Public Library

Contents

Independent Auditor's Report	I
Basic Financial Statements	
Balance Sheet/Statement of Net Assets	2
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Budgetary Comparison Schedule - General Fund	4
Notes to Financial Statements	5-11



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Independent Auditor's Report

To the Board of Directors
Baldwin Public Library

We have audited the basic financial statements of the City of Birmingham, Michigan for the year ended June 30, 2005 and have issued our report thereon dated September 30, 2005, which expressed unqualified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Those basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Birmingham, Michigan's basic financial statements. The accompanying financial statements of the Baldwin Public Library are presented for the purpose of additional analysis and are not a required part of the City's basic financial statements. The information presented has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 30, 2005



A worldwide association of independent accounting firms

Baldwin Public Library

Balance Sheet/Statement of Net Assets June 30, 2005

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual	Component Unit - Baldwin Public Library Trust
Assets				
Cash and investments	\$ 1,457,433	\$ -	\$ 1,457,433	\$ 813,787
Due from other governmental units	54,488	-	54,488	-
Capital assets (Note 3)	-	2,969,151	2,969,151	-
Total assets	<u>\$ 1,511,921</u>	2,969,151	4,481,072	813,787
Liabilities				
Accounts payable	\$ 114,259	-	114,259	-
Accrued and other liabilities	171,550	-	171,550	-
Total liabilities	285,809	-	285,809	-
Fund Balance - Unreserved	<u>1,226,112</u>	<u>(1,226,112)</u>		
Total liabilities and fund balance	<u>\$ 1,511,921</u>			
Net Assets				
Invested in capital assets		2,969,151	2,969,151	-
Unrestricted		1,226,112	1,226,112	813,787
Total net assets		<u>\$ 4,195,263</u>	<u>\$ 4,195,263</u>	<u>\$ 813,787</u>

Baldwin Public Library

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual	Component Unit - Baldwin Public Library Trust
Revenue				
Property tax	\$ 2,640,772	\$ -	\$ 2,640,772	\$ -
Penal fines	41,107	-	41,107	-
State grants	26,794	-	26,794	-
State inventory tax reimbursement	13,992	-	13,992	-
Community contracts	577,821	-	577,821	-
Fines and fees	86,022	-	86,022	-
Miscellaneous	9,120	-	9,120	16,874
Investment earnings	32,194	-	32,194	33,812
Contributions	-	-	-	61,828
Total revenue	3,427,822	-	3,427,822	112,514
Expenditures				
Correspondence	54,980	-	54,980	-
Personnel services	1,939,242	-	1,939,242	-
Supplies and maintenance	50,698	-	50,698	-
Professional and contractual	194,068	-	194,068	-
Communications	10,892	(10,064)	828	-
Transportation and parking	22,206	-	22,206	-
Utilities	76,252	-	76,252	-
Videocassettes	9,648	(8,915)	733	-
City maintenance services	92,230	-	92,230	-
Public services	5,485	-	5,485	-
Books	278,498	(257,330)	21,168	36,958
Periodicals	21,499	(19,865)	1,634	-
Audiovisual	161,446	(149,175)	12,271	-
Computer service	43,511	(40,204)	3,307	-
Miscellaneous	74,968	-	74,968	67,573
Capital outlay	341,739	(315,765)	25,974	-
Depreciation	-	653,448	653,448	-
Loss on disposal of assets	-	11,527	11,527	-
Total expenditures	3,377,362	(136,343)	3,241,019	104,531
Change in Fund Balance/Net Assets	50,460	136,343	186,803	7,983
Fund Balance/Net Assets				
Beginning of year	1,175,652	2,832,808	4,008,460	805,804
End of year	<u>\$ 1,226,112</u>	<u>\$ 2,969,151</u>	<u>\$ 4,195,263</u>	<u>\$ 813,787</u>

Baldwin Public Library

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Prior Year Actual - Modified Accrual	Current Year - Modified Accrual			
		Originally Adopted Budget	Amended Budget	Actual	Variance
Revenue					
Property tax	\$ 2,499,802	\$ 2,651,160	\$ 2,651,160	\$ 2,640,772	\$ (10,388)
Penal fines	44,085	45,000	45,000	41,107	(3,893)
State grants	26,795	25,000	25,000	26,794	1,794
State inventory tax reimbursement	13,992	13,990	13,990	13,992	2
Community contracts	560,451	578,520	578,520	577,821	(699)
Fines and fees	76,949	73,500	73,500	86,022	12,522
Miscellaneous	8,857	10,000	10,000	9,120	(880)
Investment earnings	22,912	37,720	37,720	32,194	(5,526)
Total revenue	3,253,843	3,434,890	3,434,890	3,427,822	(7,068)
Expenditures					
Correspondence	64,925	77,992	77,992	54,980	23,012
Personnel services	1,907,209	2,091,280	2,016,360	1,939,242	77,118
Supplies and maintenance	50,870	53,050	53,050	50,698	2,352
Professional and contractual	195,983	182,823	269,743	194,068	75,675
Communications	13,310	16,000	16,000	10,892	5,108
Transportation and parking	24,009	30,750	30,750	22,206	8,544
Utilities	76,533	90,000	90,000	76,252	13,748
Videocassettes	5,993	11,000	11,000	9,648	1,352
City maintenance services	92,340	92,230	92,230	92,230	-
Public services	6,016	5,000	5,000	5,485	(485)
Books	269,814	294,900	279,900	278,498	1,402
Periodicals	19,428	23,000	23,000	21,499	1,501
Audiovisual	141,449	148,350	163,350	161,446	1,904
Computer service	40,738	43,300	43,300	43,511	(211)
Miscellaneous	73,013	64,190	64,190	74,968	(10,778)
Capital outlay	251,511	245,000	605,333	341,739	263,594
Total expenditures	3,233,141	3,468,865	3,841,198	3,377,362	463,836
Change in Fund Balance	\$ 20,702	\$ (33,975)	\$ (406,308)	\$ 50,460	\$ 456,768

Baldwin Public Library

Notes to Financial Statements June 30, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of the Baldwin Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by a six-member board elected by the citizens of Birmingham, Michigan. It is also reported as a component unit of the City of Birmingham, Michigan.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, these statements include the activity of the Baldwin Public Library Trust (the "Trust"). The Trust is a legally separate, tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources that are available to the Baldwin Public Library in support of its programs.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Service contract revenue meets the availability criterion and is accrued as of year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2005, based on quoted market prices.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Library building is owned by the City of Birmingham, Michigan (the "City") and is not reported in these statements; the debt related to the building is also reported in the City's financial statements.

Building improvements, furniture and fixtures, equipment, library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Building improvements	15 years
Furniture and fixtures	10 years
Library books, periodicals, etc.	10 years
Equipment	5 years

Baldwin Public Library

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. It is not the Library's policy to pay out any unused sick benefits upon separation from employment (retirement, termination, etc.); therefore, sick benefits are not accrued. All vacation is accrued when incurred in the government-wide financial statements. A liability for vacation amounts is reported in governmental funds only for employee terminations as of year end.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls. The Library's property tax revenue for the fiscal year ended June 30, 2005 is based on the 2004 levy, which was billed July 1, 2004.

The 2004 taxable value totaled \$1,715,186,920; the Library's millage rate was 1.5457 mills, which resulted in property tax billings of \$2,651,164. The amount recognized as revenue reflects reductions for Board of Review, Michigan Tax Tribunal, and delinquencies, as well as recoveries of prior year delinquencies.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the General Fund is presented on the modified accrual basis of accounting, and the Library as a whole (which consists of just its General Fund) is also presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

Total Fund Balance - Modified Accrual Basis	\$ 1,226,112
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>2,969,151</u>
Total Net Assets - Full Accrual Basis	<u>\$ 4,195,263</u>

Baldwin Public Library

Notes to Financial Statements June 30, 2005

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

Net Change in Fund Balances - Modified Accrual Basis	\$ 50,460
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Amounts reported in the statement of activities are different because:

Capital outlay is not an expense of the current period	801,318
Capital costs are allocated over their estimated useful lives as depreciation	(653,448)
The disposal of capital assets is reported as a charge to expenses	<u>(11,527)</u>

Change in Net Assets of Governmental Activities	<u>\$ 186,803</u>
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Note 3 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Depreciable capital assets:				
Furniture and fixtures	\$ 442,220	\$ 63,266	\$ 27,167	\$ 478,319
Equipment	612,861	145,768	18,041	740,588
Building improvements	695,090	185,648	16,489	864,249
Books, periodicals, etc.	<u>7,462,159</u>	<u>406,636</u>	<u>115,942</u>	<u>7,752,853</u>
Subtotal	9,212,330	801,318	177,639	9,836,009
Less accumulated depreciation	<u>6,475,022</u>	<u>653,448</u>	<u>166,112</u>	<u>6,962,358</u>
Subtotal	2,737,308	147,870	11,527	2,873,651
Fine arts - Not subject to depreciation because they are inexhaustible	<u>95,500</u>	<u>-</u>	<u>-</u>	<u>95,500</u>
Net capital assets	<u>\$ 2,832,808</u>	<u>\$ 147,870</u>	<u>\$ 11,527</u>	<u>\$ 2,969,151</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$653,448 for the year ended June 30, 2005.

Note 4 - Budget Information

The annual budget is prepared by the director and adopted by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library Board is included in the basic financial statements.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library participates with the City in the Michigan Municipal League program for claims relating to workers' compensation, general liability, and property loss and participates in the City's self-insurance program for employee health and dental claims.

The Michigan Municipal League program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Through the City, the Library estimates the liability for general liability and employee health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Risk Management Internal Service Fund. Changes in the estimated liability for the City for the past two fiscal years are presented in the City's June 30, 2005 annual financial report.

Note 6 - Pension Plan

Plan Description - The Library participates in the City of Birmingham Employees' Retirement System (the "System"), a single-employer defined benefit pension plan that is administered by the City of Birmingham Employees' Retirement System Pension Board; this plan covers all full-time employees of the City and the Library. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at the City of Birmingham, 151 Martin, P.O. Box 3001, Birmingham, Michigan 48009.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the Library employees of 3 percent to 4 percent of their covered salary. The funding policy provides for periodic employer contributions at actuarially determined rates. Only employee contributions were required for the year ended June 30, 2005.

Annual Pension Cost - The annual required contribution was determined as part of an actuarial valuation at June 30, 2004, using the entry age actual cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) additional projected salary increases ranging from 0.0 percent to 3.8 percent per year depending on age and seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The full funding credit is being amortized as a level percentage of payroll over a period not less than 15 years. Six-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2005 annual financial report. There have been no required employer contributions to the plan for the last 12 years.

Note 7 - Postemployment Benefits

The Library provides health care benefits to all full-time employees who retire at age 60 with 15 or more years of full-time service in accordance with Library Board resolution. Currently, 16 retirees are eligible. The Library includes pre-Medicare retirees in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Through the City, the Library estimates the liability for postemployment benefits that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Retiree Health Care Fund. The estimated liability for the City for the fiscal year is presented in the City's June 30, 2005 annual financial report.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the full accrual columns of the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.